

RELEASED IN PART UNCLASSIFIED

ACTION AF-00

B4, B6, B1, 1.4(B), 1.4(D)

INFO	LOG-00	EEB-00	AID-00	A-00	ACQ-00	CA-00	CEA-01
	CIAE-00	CTME-00	INL-00	DNI-00	DODE-00	DOEE-00	ITCE-00
	DOTE-00	EXME-00	E-00	FAAE-00	UTED-00	VCI-00	DIAS-00
	FRB-00	OBO-00	H-00	TEDE-00	INR-00	LAB-01	L-00
	ARMY-00	VCIE-00	NRC-00	NSAE-00	ISN-00	OES-00	OMB-00
	NIMA-00	EPAU-00	CAEX-00	GIWI-00	ISNE-00	SP-00	SSO-00
	SS-00	STR-00	FMP-00	CBP-00	BBG-00	EPAE-00	IIP-00
	SCRS-00	DRL-00	G-00	NFAT-00	SAS-00	FA-00	SEEE-00
	SANA-00	/002W					

-----56833A 281017Z /38

R 281006Z APR 10

FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC 0232

INFO ECOWAS COLLECTIVE

NATIONAL SECURITY COUNCIL WASHINGTON DC

DEPT OF JUSTICE WASHINGTON DC

DEPT OF COMMERCE WASHINGTON DC

DEPT OF TREASURY WASHINGTON DC

UNCLAS MONROVIA 000496

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: ECON, LI, ENRG, EFIN

SUBJECT: LIBERIA: OIL SECTOR GOVERNANCE CONCERNS MAY DETER U.S.
INVESTMENT

REF: 09 MONROVIA 555

1. (SBU) SUMMARY: Just as the prospect of imminent oil riches lifted hopes in Liberia, revelations have emerged that the National Oil Company of Liberia (NOCAL) offered payments to legislators for the passage of petroleum contracts. The very public leaking of a NOCAL audit seemed timed to deflate foreign interest, coinciding as it did with efforts to sell offshore oil concessions. In fact, the specter of corruption may deter Chevron, which had spent months exploring strategic partnerships with existing oil concessionaires, and has been poised to invest at least USD 1 billion in exploration. The presence of a U.S. oil major that would insist upon adherence to the Foreign Corrupt Practices Act could inject a welcome level of transparency into an emerging oil sector. Post welcomes EEB's Energy Governance and Transparency Initiative and believes that now - before oil revenues tempt further bad behavior - greater USG engagement could reinforce Liberia's nascent efforts to transform black gold into widespread social development. END

UNITED STATES DEPARTMENT OF STATE
CLASSIFIED BY DEPT. OF STATE, M. GRAFELD, DAS, A/GIS
CLASSIFICATION: CONFIDENTIAL REASON: 1.4(B), 1.4(D)
DECLASSIFY AFTER: 27 APR 2020
DATE/CASE ID: 20 MAY 2011 201101942

UNCLASSIFIED

SUMMARY.

UNCLASSIFIED

2. (SBU) On March 30, local newspapers published details from the General Auditing Commission's recently-completed audit of NOCAL for Fiscal Year 2007-2008. The audit charged that in 2007 NOCAL's Board of Directors paid legislators USD 118,400 in "lobbying fees" to secure passage of two petroleum contracts for Broadway Plc and Oranto Petroleum, both Nigerian companies. The audit further noted that "Oranto was aware that the payment of monies was a pre-condition" for legislative ratification. [REDACTED]

B6

[REDACTED] that legislators typically requested funds under the guise of costs to print briefing materials, and hold hearings on a proposed concession, although [REDACTED] that no legitimate administrative expenses would reach six-figures. [REDACTED] at the President's insistence, NOCAL ceased providing "lobbying fees" during subsequent oil concession negotiations. [REDACTED]

B6

B6

B6

3. (SBU) [REDACTED] told Econoff he had provided advance copies of the report to President Sirleaf, the NOCAL board and the National Legislature so that they could address the irregularities and reflect privately on whether to nullify those contracts. [REDACTED]

B6

[REDACTED] NOCAL leadership seemed to believe one of its board members was behind the strategic leak.

B6

4. (SBU) The damning media reports coincided with ongoing negotiations between NOCAL, the two Nigerian companies and Chevron, [REDACTED]

B4

[REDACTED] with additional infrastructure investments following actual discoveries, according to [REDACTED]

B6

5. (SBU) Within hours of media reports, Chevron officials contacted post seeking further information and expressing concerns about the implications for Chevron's compliance with the U.S. Foreign Corrupt Practices Act (FCPA). Even if Chevron's internal due diligence vindicated the Nigerian oil companies, [REDACTED] worried that the allegations alone would cast doubt on the concessions' legitimacy and open the door for a future GOL decision to nullify the contracts. Further, [REDACTED] worried the Department of Justice might find Chevron "guilty by association" if it could not establish a sufficient firewall between itself and a Nigerian partner.

B6

B6

UNCLASSIFIED

6. (SBU) Chevron's grave concerns prompted the President of Chevron Africa and Latin America to fly to Liberia for a private discussion with President Sirleaf on April 20. In an April 19 meeting with the Charge, Ali Moshiri stressed that lucrative offshore oil discoveries are likely, and Chevron believes that its experience in countries such as Nigeria and Angola prepare it to navigate

UNCLASSIFIED

Liberia's challenging investment climate both profitably and honestly. Further, even if Liberian law would not require the transfer of an oil block to pass through the legislature, Chevron would push for legislative ratification, because it ensures a public vetting of contracts and minimizes the risk that a future administration could justifiably cancel the concession.

7. (SBU) During Chevron's presidential meeting, President Sirleaf assured Moshiri of her eagerness to do business with Chevron,

[REDACTED]
[REDACTED] The President later told U/S Burns (ref A) she had no plans to nullify the Broadway and Oranto contracts, but [REDACTED] said she did not communicate that message to Chevron directly. Further, while Chevron welcomed the President's assurance, [REDACTED] added the concern remained that the contracts were now permanently tainted, and Chevron lawyers would insist upon ironclad contracts that ensured no assets could be revoked arbitrarily in the future.

B1

B6

B6

8. (SBU) If FCPA concerns compel Chevron to withdraw, [REDACTED] warned that other top-tier oil majors likely would arrive at similar conclusions. That would leave the field open to Russian and Chinese firms, he continued, that place less emphasis on good governance and tend to stockpile unutilized oil concessions as a source of future strategic reserves, depriving the host country of immediate revenue.

B6

Energy Governance and U.S. Engagement

9. (SBU) In fact, since its erstwhile brush with corruption, NOCAL's leadership has demonstrated a hard-nosed determination to address those institutional shortcomings that would impede sound resource management. The Auditor General, disinclined to false praise, noted that during his investigations, NOCAL management "provided the maximum level of cooperation," and "many of the significant control deficiencies...are being addressed." Indeed, NOCAL established an internal audit division in February to redress those weaknesses revealed in the audit, and has solicited assistance from the Norwegian Agency for Development Cooperation to help in future contract negotiations with oil companies. Finally,

UNCLASSIFIED

the Liberian Extractive Industries Transparency Initiative (LEITI) has praised NOCAL for setting the standard for EITI compliance and public financial management reform (ref B). UNCLASSIFIED

10. (SBU) COMMENT: Liberia needs top-tier oil companies because their incentive structure aligns with Liberia's long-term development needs. In particular, a U.S. company -- beholden to shareholders and mindful of FCPA constraints -- would be inclined to ensure financial transparency, seek sustained revenues from extraction, and scotch oil-driven conflict. Post welcomes EEB's Energy Governance and Transparency Initiative (EGTI), and believes USG technical assistance could provide the insurance that companies such as Chevron need to proceed. While NOCAL urgently recognizes the perils and opportunities that imminent oil revenues present, it lacks the deep pool of technocrats necessary to do the hard work of reform. Of note, EGTI may wish to engage in redrafting hydrocarbon laws or revising local content laws, readying NOCAL to negotiate sound oil contracts, designing a community development or sovereign wealth fund, or helping Liberia transition from petroleum-sharing contracts to Africa's first royalty tax regime. Finally, NOCAL's current imbroglio reinforces our conviction that efforts to ensure sound management of Liberia's natural resources will be incomplete unless [REDACTED]

THOMAS-GREENFIELD

B1

NNNN

UNCLASSIFIED